

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 AF-06 NEA-10 OIC-02 /133 W

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FM USDEL MTN GENEVA

RUEHC/SECSTATE WASHDC 117

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

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LONDON FOR BELL

DEPT PASS STR AND AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: MTN SUBJGROUP MEETING ON GRAINS, MAY 26-28

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REF: STATE 120232

1. SUMMARY. THE SUBGROUP GRAINS MET ON MAY 26-28 AND REACHED A LARGE MEASURE OF AGREEMENT ON ITS WORK PROGRAM. HOWEVER, COMPLETE AGREEMENT COULD NOT BE REACHED DUE TO EC'S INSISTENCE ON ILLUSTRATING AGREED POINTS OF PROGRAM WITH EXAMPLES WHICH WOULD HAVE PROJUDICED THE TERMS OF REFERENCE OF THE GRAINS GROUP IN FAVOR OF EC POSITION. FOR INSTANCE, EC OPPOSED INCLUSION OF VARIABLE LEVIES IN ILLUSTRATIVE LIST OF TOPICS TO WHICH GROUP SHOULD ADDRESS ITSELF. MEETING TOOK PLACE IN FRIENDLY ATMOSPHERE, U.S. BEING LARGELY SUPPORTED BY AUSTRALIA, CANADA AND ARGENTINA. MEETING HAS BEEN ADJOURNED TO JUNE 9 IN ORDER TO SETTLE UNSETTLED POINTS OF WORK PROGRAM. THE FIRST WORKING MEETING OF THE GROUP IS SCHEDULED FOR WEEK BEGINNING JUNE 23. ACTION REQUESTED: DELEGATION REQUESTS STR GUIDANCE FOR JUNE 9 MEETING TO COMPLETE WORK PROGRAM. END SUMMARY.

2. THE MEETING STARTED WITH INITIAL STATEMENT BY MAJOR DELEGATIONS. U.S. (KOENIG), IN ACCORDANCE WITH REFTEL, STATED THAT US CONSIDERS TRADE LIBERALIZATION IN GRAINS AS THE CORNERSTONE OF THE MTN IN AGRICULTURE. HE POINTED OUT THAT US GRAIN EXPORTS ARE NOT ONLY OF GREATEST IMPORTANCE TO THE US BUT ALSO VITAL TO THE FOOD SUPPLY OF THE WORLD. CITING FIGURES SHOWING THE OVERWHELMING SHARE OF US GRAIN EXPORTS IN TOTAL WORLD EXPORTS, HE EXPLAINED THAT US GRAIN SUPPLIES SUSTAIN HUNDREDS OF MILLIONS OF PEOPLE IN THE WORLD. THE US SAID THAT THE AIM OF THE MTN GRAIN NEGOTIATIONS IS THE EXPANSION AND EVER GREATER LIBERALIZATION OF WORLD GRAIN TRADE. LIBERALIZATION WOULD INCREASE MARKET STABILITY AND WOULD SIGNIFICANTLY CONTRIBUTE TO ENSURING WORLD FOOD SECURITY. THE LATTER WILL BE FURTHER STRENGTHENED BY THE WORK OF THE I.W.C. AND THE WORK OF THE MTN AND THAT OF THE IWC SHOULD BE COMPLEMENTARY. THE US RECOGNIZED THAT THE OBJECTIVES OF THESE NEGOTIATIONS WILL BE APPROACHED IN DIFFERENT WAYS BY VARIOUS DELEGATIONS. WE THEREFORE REPEATEDLY EMPHASIZED OUR INTENT TO EXERT UTMOST EFFORTS TO COOPERATE IN A FLEXIBLE MANNER WITH OTHER COUNTRIES. WE SUGGESTED THAT THE GRAINS SUBGROUP WORK PROGRAM COULD BE CARRIED FORWARD IN TWO STAGES: FIRST, A SYSTEMATIC EXAMINATION OF ALL THE ITEMS RELEVANT TO TRADE IN GRAINS AND SECONDLY, AT A LATER STAGE, A SEARCH OF MULTILATERAL SOLUTIONS TO THE PROBLEMS IDENTIFIED. THE WORK COULD PROCEED ON THE BASIS LIMITED OFFICIAL USE

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OF THE GATT AGRICULTURE COMMITTEE PAPERS ON TECHNIQUES AND MODALITIES.

3. EC (PIZZUTI) OUTLINED THE WELL-KNOWN EC IDEAS ON A COMMODITY AGREEMENT. WHILE ADMITTING THAT ILLIBERAL TRADE POLICIES MAY HAVE A DESTABILIZING EFFECT ON THE WORLD'S GRAIN MARKET, HE EXPRESSED BELIEF THAT THE INHERENT INSTABILITY OF PRODUCTION IS LARGELY DUE TO CLIMATIC CONDITIONS. GIVEN THIS INSTABILITY AND

THE NEED FOR COUNTRIES TO ASSURE THEMSELVES A CERTAIN DEGREE OF SELF-SUFFICIENCY, THE EC CONCLUDED THAT THE ONLY PRACTICAL SOLUTION IS AN INTERNATIONAL COMMODITY AGREEMENT.

4. JAPAN (YOSHIKUNI), STATING ITS APPRECIATION TO THE EC FOR TAKING THE LEAD IN SUGGESTING QUOTE A MULTILATERAL SOLUTION UNQUOTE SAID IT WAS MAINLY INTERESTED IN ASSURING SUPPLIES AT REASONABLE PRICES.

5. AUSTRALIA (WARWICK-SMITH) EMPHASIZED WORDING IN THE TOKYO DECLARATION CONCERNING INCREASED WORLD TRADE THROUGH LIBERALIZATION AND STATED THAT SHORT SUPPLY AND HIGH PRICE SITUATION DURING THE PAST FEW YEARS IS NOT NEW. THESE SITUATIONS HAVE RECURRED PERIODICALLY OVER THE YEARS BUT THE REAL AND CONTINUING PROBLEM IS THAT OF SURPLUS. OBJECT OF WORK IN GRAINS SHOULD BE TRADE LIBERALIZATION WITH SECURITY TO BOTH IMPORTING AND EXPORTING COUNTRIES. INTERNATIONAL COORDINATION IN AREA OF STOCKS WOULD CONTRIBUTE SIGNIFICANTLY TO STABILITY.

6. CANADA (MINER) ALSO STRESSED NEED FOR TRADE LIBERALIZATION IN GRAINS AND STATED THAT FOOD SECURITY CAN BE ACHIEVED THROUGH A SUSTAINED HIGH LEVEL OF PRODUCTION WHICH REQUIRES CONFIDENCE IN MARKET ACCESS BY PRODUCERS. THE SUBGROUP SHOULD EXAMINE WAYS TO NEGOTIATE IMPORT RESTRICTIONS AND EXPORT SUBSIDIES WHICH CANADA REFERRED TO AS QUOTE ONE OF THE WORST TRADE DISTORTING ELEMENTS UNQUOTE. CANADIANS MENTIONED THEY SEEK SECURITY OF ACCESS, I.E. CONTRACTUAL PURCHASING COMMITMENTS.

7. ARGENTINA (MARTINEZ) SPOKE IN FAVOR OF TRADE LIBERALIZATION. SINCE NEGOTIATIONS TAKE PLACE DURING A TIME OF SHORT SUPPLIES, THEY ARE SUBJECT TO PSYCHOLOGICAL DISADVANTAGE BUT IT SHOULD BE REMEMBERED THAT THEY ARE AIMED AT THE FUTURE WHEN SITUATION COULD RETURN TO EXCESS SUPPLIES. ARGENTINA SAID MAJOR DISTORTIONS TO LIMITED OFFICIAL USE

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TRADE ARE SUBSIDIZED PRODUCTION, EXPORT SUBSIDIES, AND INSULATION OF INTERNAL MARKETS FROM INTERNATIONAL MARKET (MENTIONING THE EC SPECIFICALLY).

8. OTHER LDC'S (INDIA, PAKISTAN, EGYPT) SPOKE ABOUT NEED TO INSURE ADEQUATE SUPPLIES AT REASONABLE PRICES TO DEVELOPING COUNTRIES, NEARLY ALL OF WHOM ARE NET IMPORTERS OF GRAINS, AND THE NEED TO TAKE INTO ACCOUNT THE SPECIAL PROBLEMS AND NEEDS OF LDC'S IN ACCORDANCE WITH THE TOKYO DECLARATION.

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ACTION EB-07

INFO OCT-01 ISO-00 IO-10 AF-06 ARA-06 EA-06 EUR-12 NEA-10

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 OIC-02 /133 W

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R 281811Z MAY 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 0118

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUENOS AIRES

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

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AMEMBASSY WELLINGTON

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9. PRODUCT COVERAGE WAS NOT AN ISSUE, WITH THE US AND THE EC

IN AGREEMENT THAT WORK WOULD BEGIN INITIALLY ON WHEAT, CORN, BARLEY, SORGHUM AND POSSIBLY OTHER FEED GRAINS. AUSTRALIA SAID THAT IT WOULD BE PRIMARILY CONCERNED WITH WHEAT AND CANADA SAID THAT THE QUESTION OF PRODUCT COVERAGE SHOULD BE LEFT OPEN.
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10. THE DRAFTING OF THE PROGRAMS FOR THE FIRST WORKING MEETING OF THE GROUP CREATED SOME DIFFICULTIES WHICH WERE NOT RESOLVED. AFTER LENGTHY PLENARY AND PRIVATE MEETINGS, TENTATIVE AGREEMENT WAS REACHED ON THE FOLLOWING ELEMENTS OF A SUBSEQUENT SUMMING UP BY THE CHAIRMAN (FOR FULL TEXT, SEE SEPTTEL):

A. REFERENCE WOULD BE MADE TO THE STATEMENTS OF BARIOUS DELEGATIONS HIGHLIGHTING IN PARTICULAR THOSE OF THE US, EC AND EGYPT;

B. THE GROUP WOULD AGREE THAT AT ITS FIRST WORKING SESSION, IT WOULD INITIALLY ADDRESS ITSELF TO THREE INTER-RELATED CATEGORIES OF TOPICS. THE ORDER OF LISTING OF THESE TOPICS WOULD BE WITHOUT SIGNIFICANCE. THESE TOPICS ARE LIBERALIZATION, STABILIZATION AND THE TREATMENT OF THE LDC'S;

C. THE GROUP WOULD ALSO AGREE THAT IN THESE THREE AREAS, FURTHER CONTRIBUTIONS WOULD BE MADE BY DELEGATIONS AND THAT ALL THE ELEMENTS OF ALL PROPOSALS MADE WOULD BE EXAMINED.

11. IN CONNECTION WITH POINT (B), A NUMBER OF DELEGATES, PRIMARILY THE EC, ARGUED THAT THE MAJOR TOPICS SHOULD BE ILLUSTRATED BY EXAMPLES CONTAINED IN THE ORIGINAL SECRETARIAT DRAFT IN ORDER, AS THE EC PUT IT, TO GUIDE THE PROCEEDINGS OF THE GRAIN GROUP. THE ILLUSTRATIVE EXAMPLES SUGGESTED INCLUDING STOCKPILING, POLICIES, INTERNATIONAL PROCES, IMPORT AND EXPORT MEASURES, FOOD AID, CONCESSIONAL SALES, ETC. (SEE SEPTTEL). THE EC OPPOSED THE INCLUSION OF VARIABLE LEVIES, SECURITY OF SUPPLIES, ASSURANCE OF MARKET ACCESS, AND IMPORT LICENSING AS ILLUSTRATIVE EXAMPLES WHICH WOULD GUIDE THE WORK OF THE GRAIN GROUP. SINCE THE LIST OF EXAMPLES CITED COULD NOT POSSIBLY BE EXHAUSTIVE AND WAS CLEARLY INTENDED TO FOCUS PRIORITY ATTENTION TO SOME TOPICS TO THE EXCLUSION OF OTHERS, THE US AND OTHER DELEGATIONS (E.G. AUSTRALIA, CANADA AND ARGENTIA) HAD DIFFICULTIES IN ACCEPTING THESE ILLUSTRATIVE EXAMPLES LAST THE WORK OF THE GRAINS GROUP BE BIASED IN FAVOR OF THE POLICY OBJECTIVES OF THE COMMUNITY AND OTHER DELEGATIONS OPPOSING LIBERALIZATION.

13. SINCE THIS ISSUE COULD NOT BE RESOLVED, IT WAS AGREED THAT THE GROUP WOULD MEET AGAIN ON JUNE 9 IN ORDER HOPEFULLY TO PREPARE
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THE WORK PROGRAM FOR THE GRAINS GROUP MEETING SCHEDULED FOR THE WEEK OF JUNE 23.

14. IT SHOULD BE ALSO MENTIONED THAT DEPUTY DIRECTOR GENERAL PATTERSON DECLARED AT THE OUTSET OF THE MEETING THAT THE SECRETARIAT IS MERELY TEMPORARILY SERVING AS CHAIRMAN AND THAT THE QUESTION OF CHAIRMANSHIP SHOULD BE SETTLED AS SOON AS POSSIBLE.

15. ACTION REQUESTED: DELEGATION WOULD APPRECIATE STR GUIDANCE FOR THE MEETING OF JUNE 9, PARTICULARLY IN THE LIGHT OF THE SEPTEL WHICH CLARIFIES THE UNSETTLED POINTS WHICH HAVE STILL TO BE RESOLVED. WOLFF

OPR NOTE: MSG CORRECT AS IS - PARA 12 WAS MISSING ON DRAFTING OFFICERS COPY.

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